COMPANY NO. 822513-3 / ARBN: 161 356 930

Interim Consolidated Financial Statements

March31, 2014

Expressed in US Dollars

(Unaudited)

Corporate Information

Company No.: 822513-3
ARBN: 161 356 930

Directors
Pieter Britz (Chief Executive Officer and Director)
John Hick (Non Executive Chairman)
Sir Rabbie Namaliu (Non Executive Director)
Elizabeth Martin (Non Executive Director)
Richard William (Keith) Morrison (Non Executive Director)

Chief Financial Officer
Alex Dann

Corporate Secretary
Dean Richardson
Sander Grieve (Assistant Corporate Secretary)

COMPANY NO. 822513-3 / ARBN: 161 356 930

Registered Office

Bennett Jones LLP
3400 One First Canadian Place
100 King Street West Toronto ON
M5X 1B8 CANADA
Phone: +1 416 777 4826
Fax: +1 416 863 1716
Email: marengo@marengomining.com

Postal Address

P.O. Box 130
Toronto ON M5X 1A4

Legal Counsel

Canada
Bennett Jones LLP
3400 One First Canadian Place
100 King Street West Toronto ON
M5X 1B8 CANADA

Australia
Gilbert & Tobin
1202 Hay Street
WEST PERTH WA 6005AUSTRALIA

Papua New Guinea
Allens
Level 6, Mogoru Moto Building
Champion Parade
PORT MORESBY NCD

Bankers

Canada
Royal Bank of Canada
2 Bloor St East 2ND FLR
TORONTO ON M4W 1A8 CANADA

Australia
Westpac Banking Corporation
109 St Georges Terrace
PERTH WA 6000 AUSTRALIA

National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005 AUSTRALIA

Papua New Guinea
ANZ Banking Group (PNG) Limited
Harbour City, Poroporena Freeway
PORT MORESBY NCD

Share Registries

Canada
Computershare Investor Services Inc
510 Burrand Street, 3rd Floor
VANCOUVER BRITISH COLUMBIA V6C 3B9
Telephone: 1800 564 6253 (North America)
+ 1 514 482 7555 (Outside North America)
Facsimile: + 1866 249 7775 (North America)
+ 1 416 263 5924 (Outside North America)

Australia
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000 AUSTRALIA
Telephone: 1300 550 839 (Australia)
+ 61 3 9415 4000 (Outside Australia)
Facsimile: + 61 8 9323 2033

Papua New Guinea
PNG Registries Ltd
Level 2, AON Haus, MacGregorStreet
PORT MORESBY NCD
Telephone: + 675 321 6377
Facsimile: + 675 321 6379

Auditors

PricewaterhouseCoopers LLP
18 York Street, Suite 2600
Toronto, ON M5J 0B2
Canada

Internet Address

www.marengomining.com

Email Address

marengo@marengomining.com

Stock Exchange Listings

Marengo Mining Limited shares are listed on Toronto Stock Exchange (TSX) as “MRN” and Australian Securities Exchange (ASX) and Port Moresby Stock Exchange (POMSoX) under the code “MMC”.

Contents

Interim Consolidated Statements of Comprehensive Loss

US$'000 (Unaudited)		THREE MONTHS ENDED		NINE MONTHS ENDED	
	Notes	March 31, 2014	March 31, 2013 (Restated Note 1 a)	March 31, 2014	March 31, 2013 (Restated Note 1 a)
REVENUE (LOSS) FROM OPERATIONS	3	12	14	58	341
Other (loss) income, net	3	(5,962)	-	(5,447)	23
EXPENDITURES					
Administration expenses		(667)	(254)	(1,476)	(824)
Corporate expenses		(167)	(603)	(421)	(2,315)
Depreciation		(53)	(80)	(184)	(251)
Insurance expenses		(48)	(74)	(187)	(230)
Net foreign exchange (losses)/gains		(1)	92	(3)	(80)
Forfeited property deposit	4	(475)	-	(475)	-
Occupancy expenses		(22)	(97)	(168)	(347)
Salaries and employee benefits expense		(633)	(612)	(1,346)	(1,682)
Share-based payment expense		(68)	(549)	-	(969)
Interest expense		(1,896)	(165)	(3,927)	(165)
LOSS BEFORE INCOME TAX		**(9,980)**	**(2,329)**	**(13,576)**	**(6,497)**
INCOME TAX EXPENSE		**-**	**-**	**-**	**-**
LOSS AFTER INCOME TAX		**(9,980)**	**(2,329)**	**(13,576)**	**(6,497)**
OTHER COMPREHENSIVE LOSS					
Items that may be reclassified to profit and loss					
Exchange differences on translation of foreign operations		(20,782)	(3,424)	(41,087)	(9,519)
Other comprehensive loss for the period, net of tax		**(20,782)**	**(3,424)**	**(41,087)**	**(9,519)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MARENGO MINING LIMITED		**(30,762)**	**(5,753)**	**(54,663)**	**(16,016)**
Basic and diluted loss per share (cents per share)		(0.88)	(0.20)	(1.19)	(0.57)

The above Interim Consolidated Statements of Comprehensive Income should be read in conjunction with the Notes to the Interim Consolidated Financial Statements.

Interim Consolidated Balance Sheets

AS AT US$'000 (Unaudited)	Notes	March 31, 2014	June 30, 2013	July 1, 2012 (Restated Note 1 a)
CURRENT ASSETS				
Cash and cash equivalents		887	1,667	1,014
Restricted cash		92	-	-
Investments – term deposits		48	5,025	10,364
Trade and other receivables		318	957	743
TOTAL CURRENT ASSETS		**1,345**	**7,649**	**12,121**
NON-CURRENT ASSETS				
Plant and equipment		608	1,154	1,432
Exploration and evaluation	4	139,137	173,667	160,881
TOTAL NON-CURRENT ASSETS		**139,745**	**174,821**	**162,313**
TOTAL ASSETS		**141,090**	**182,470**	**174,434**
CURRENT LIABILITIES				
Trade and other payables		1,201	3,094	6,819
Provisions		1,161	1,040	1,046
Loans and borrowings	5	-	10,668	-
Derivative financial instrument	6	18,513	611	-
TOTAL CURRENT LIABILITIES		**20,875**	**15,413**	**7,865**
NON-CURRENT LIABILITIES				
Loans and borrowings	5	15,256	6,833	-
TOTAL NON-CURRENT LIABILITIES		**15,256**	**6,833**	**-**
TOTAL LIABILITIES		**36,131**	**22,246**	**7,865**
EQUITY				
Share capital	7	187,536	187,729	161,669
Reserves		(36,554)	4,942	29,320
Accumulated losses		(46,023)	(32,447)	(24,420)
TOTAL EQUITY		**104,959**	**160,224**	**166,569**

The above Interim Consolidated Balance Sheets should be read in conjunction with the Notes to the Interim ConsolidatedFinancial Statements.

Interim Consolidated Statements of Changes in Equity

US$'000 (Unaudited) NINEMONTHS ENDED MARCH 31, 2013	Notes	Share Capital	Optionsand Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
BALANCE AT JULY 1, 2012 (Restated)	1 (a)	161,669	1,827	27,493	(24,420)	**166,569**
Loss after income tax		-	-	-	(6,497)	**(6,497)**
Other comprehensive loss that may be reclassified to the profit and loss		-	-	(9,519)	-	**(9,519)**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**(9,519)**	**(6,497)**	**(16,016)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	7(b)	20,011	-	-	-	**20,011**
Share transaction costs	7(b)	(1,472)	-	-	-	**(1,472)**
Exchange differences on restatement of equity items to presentation currency	7(b)	4,268	50	-	-	**4,318**
Employees and consultants share options		-	969	-	-	**969**
BALANCE AT MARCH31, 2013 (Restated) 1 (a)		**184,476**	**2,846**	**17,974**	**(30,917)**	**174,379**
NINE MONTHS ENDED MARCH 31, 2014						
BALANCE AT JULY 1, 2013		187,729	3,156	1,786	(32,447)	**160,224**
Loss after income tax		**-**	**-**	**-**	(13,576)	**(13,576)**
Other comprehensive loss that may be reclassified to the profit and loss		-	-	(41,087)	-	**(41,087)**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**(41,087)**	**(13,576)**	**(54,663)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Share transaction costs	7(b)	(24)	**-**	**-**	**-**	**(24)**
Exchange differences on restatement of equity items to presentation currency	7(b)	(169)	-	**-**	**-**	**(169)**
Employees and consultants share options		**-**	(409)	**-**	**-**	**(409)**
BALANCE AT MARCH 31, 2014		**187,536**	**2,747**	**(39,301)**	**(46,023)**	**104,959**

The above Interim Consolidated Statements of Changes in Equity should be read in conjunction with the Notes to the Interim Consolidated Financial Statements.

Interim Consolidated Statements of Cash Flows

US$'000 (Unaudited)	THREE MONTHS ENDED March 31, 2014	THREE MONTHS ENDED March 31, 2013 (Restated Note 1 a)	NINE MONTHS ENDED March 31, 2014	NINE MONTHS ENDED March 31, 2013 (Restated Note 1 a)
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to suppliers and employees	(1,521)	(1,779)	(3,213)	(4,498)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(1,521)**	**(1,779)**	**(3,213)**	**(4,498)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Funds from investment in term deposits	2,117	(2,195)	5,080	8,155
Interest received	14	16	67	384
Payments for plant and equipment	-	(250)	-	(754)
Proceeds on sale of plant and equipment	-	-	37	23
Payments for exploration and evaluation	(1,873)	(7,467)	(8,578)	(28,991)
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	**258**	**(9,844)**	**(3,394)**	**(21,183)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issues of ordinary shares	-	-	-	20,011
Proceeds from borrowings	-	9,900	6,000	9,900
Payment of share issue costs	-	-	(24)	(1,472)
NET CASH (OUTFLOW)/ INFLOW FROM FINANCING ACTIVITIES	**-**	**9,900**	**5,976**	**28,439**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,263)	(1,723)	(631)	2,758
Cash and cash equivalents at the beginning of the financial period	2,248	5,527	1,667	1,014
Effects of exchange rate changes on cash and cash equivalents	(98)	(28)	(149)	5
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**887**	**3,776**	**887**	**3,777**

The above Interim Consolidated Statements of Cash Flows should be read in conjunction with the Notes to the Interim ConsolidatedFinancial Statements

Notes to the Interim Consolidated Financial Statements

MARCH31, 2014 (Unaudited)

1. SUMMARY OF EXISTING ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The interim consolidated financial statements are for the consolidated entity consisting of Marengo Mining Limited and its wholly-owned subsidiaries, (the "Company" or "Marengo"). The interim consolidated financial statements are presented in United States dollars. Marengo Mining Limited is a company limited by shares, domiciled and incorporated in Canada.

(a) Basis of preparation

Compliance with IFRS

The condensed interim consolidated financial statements of Marengo Mining Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), including International Accounting Standard (IAS) 34, *Interim Financial Reporting.* The accounting policies applied in these interim consolidated financial statements are consistent with those used in the Company's audited consolidated financial statements for the year ended June 30, 2013. There have been no changes from the accounting policies applied in the June 30, 2013 audited consolidated financial statements, except as disclosed in Note 1(b).

These condensed interim consolidated financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report should be read in conjunction with the Consolidated Financial Statements for the year ended June 30, 2013.
These condensed interim consolidated financial statements were approved by the Board of Directors on May 12, 2014.

Historical cost convention

These interim consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Going Concern

As at March 31, 2014, the Company had a working capital deficiency of $19,530,000(FY 2013: $8,691,000). The Company also recorded a loss of $13,576,000 for the nine months to March 31 (Q3 2013: loss of $6,497,000), had net cash outflows from operations for the nine months of $3,213,000 (Q3 2013: $4,498,000), and incurred expenditures of $8,578,000 (Q3 2013: $28,991,000) on the ongoing exploration and evaluation expenditures for the Yandera Project.

Given the Company's current financial position and the ongoing exploration and evaluation expenditures on the Yandera Project, Marengo's major shareholder, Sentient Executive GP IV (Sentient) has agreed to provide financial assistance to the Company. Note 5 sets out the details of the restructuring of the Company's financial commitments with Sentient as well as the commitment letter confirming that it will provide financial support including funding for progressing the Yandera Project and other operational expenditures to the Company as and when it is needed for 12 months (from the signing of the December 31, 2013 interim consolidated financial statements).

With this support from Sentient, the Directors are of the opinion that, as at the date of these interim consolidated financial statements, the Company is a going concern and, as a result, the financial report for the three and nine months ended March 31, 2014 does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Change of Accounting Policy

During the 2013 financial year, the Company structure was changed to include a Canadian parent company, Marengo Mining Limited. The functional currency for the Canadian parent company was assessed and determined to be United States Dollars (USD). The functional currency of the Australian subsidiaries remains Australian dollars (AUD) and the Papua New Guinea subsidiaries is Papua New Guinea Kina (PGK).

Following the addition of the new parent company with a USD functional currency, the Company has elected to change its presentation currency from AUD to USD. The change in presentation currency is to better reflect the Company's business

Notes to the Interim Consolidated Financial Statements (continued)

MARCH 31, 2014 (Unaudited)

1.SUMMRY OF EXISTING ACCOUNTING POLICIES (continued)

activities, its re-domicile to North America and to improve the comparability with the Company's peers in the mining industry.

The change in presentation currency represents a change in accounting policy, which has been applied retrospectively.

(b) New standards adopted by the Company

*(i)*IFRS 13 *Fair Value Measurement (applies to periods beginning on or after January 1, 2013)*
This Standard establishes a single source of guidance for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted under IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The method of fair value measurement is consistent with that set out by IFRS 13; additional disclosures will be required under IFRS 13 at year end. The disclosures required by IAS 34 are included in these interim consolidated financial statements (note 6).

(ii) IFRS 10 *Consolidated Financial Statements (applies to periods beginning on or after January 1, 2013)*
This Standard establishes a new control model that applies to all entities. It replaces parts of IAS 27 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This standard does not affect the Company's accounting policies or any amounts recognised in the financial statements.

(iii) IFRS 12 *Disclosure of Interests in Other Entities (applies to periods beginning on or after January 1, 2013)*
This Standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. Application of this standard by the Company does not affect any of the amounts recognised in the financial statements.

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2014 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact the financial reporting of the Company.

(iv) IFRS 9 *Financial instruments(applies to periods beginning on or after January 1, 2018)*
The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classificationand measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition.The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 was amended In November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognise changes in fair value attributable to changes in an entity's own credit risk, from financial

Notes to the Interim Consolidated Financial Statements (continued)

MARCH 31, 2014 (Unaudited)

1.SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

liabilities designated under the fair value option, in OCI (without having to adopt the remainder of IFRS 9) and (iii) remove the previous mandatory effective date of January 1, 2018, although the standard is available for early adoption. The Company is yet to assess IFRS 9's full impact on the consolidated financial statements.

(d) Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

(i) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model. At each reporting period the probability that the vesting conditions will be met prior to the expiry date is assessed, this probability is taken into account when determining fair value.

(ii) Exploration and evaluation costs

Exploration and evaluation costs are accumulated and capitalised in relation to each identifiable area of interest where right of tenure of the area of interest is current and the area of interest has not, at reporting date, reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. In the event that tenure is relinquished and/or economically recoverable resources are not assessed as being present, this expenditure will be expensed to profit and loss.

(iii) Derivative Financial Instruments

The fair value of the embedded derivative liability is determined based on a Black Scholes option pricing model to value this liability upon initial recognition and at each reporting period end date.

2. SEGMENT INFORMATION

(a) Description of segments

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which, for the Company, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the profit and loss and balance sheet. The Company operates only in one sector, the exploration industry with operations in Australia, Papua New Guinea and Canada .

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the three and nine months ended March 31, 2014 and March 31, 2013 (restated in United States Dollars (USD)) for the segment Conslidated Statement of Comprehensive Loss and as at March 31, 2014 and June 30, 2013 for the segment Balance Sheet:

Notes to the Interim Consolidated Financial Statements(continued)

MARCH 31, 2014 (Unaudited)

THREE MONTHS ENDED	Australia		Papua New Guinea		Canada		Consolidated	
US$'000	March 31, 2014	March 31, 2013 (Restated)	March 31, 2014	March 31, 2013 (Restated)	March 31, 2014	March 31, 2013 (Restated)	March 31, 2014	March 31, 2013 (Restated)
Segment revenue								
Revenue from continuing operations (interest)	12	14	-	-	-	-	12	14
Total segment revenue	12	14	-	-	-	-	12	14
Intersegment elimination							-	-
Consolidated revenue							**12**	**14**
Segment results								
Segment results	(701)	(1,287)	(620)	(168)	(8,660)	-	(9,981)	(1,455)
Intersegment elimination							1	(874)
Loss before income tax							(9,980)	(2,329)
Income tax expense							-	-
Loss for the period							**(9,980)**	**(2,329)**

NINEMONTHS ENDED	Australia		Papua New Guinea		Canada		Consolidated	
US$'000	March 31, 2014	March 31, 2013 (Restated)	March 31, 2014	March 31, 2013 (Restated)	March 31, 2014	March 31, 2013 (Restated)	March 31, 2014	March 31, 2013 (Restated)
Segment revenue								
Revenue (loss) from continuing operations	58	341	-	**23**	(5,447)	-	(5,390)	364
Total segment revenue	58	341	-	23	-	-	(5,390)	364
Intersegment elimination							-	-
Consolidated revenue							**(5,390)**	**364**
Segment results								
Segment results	(1,082)	(17,703)	(888)	(484)	(11,521)	-	(13,491)	(18,187)
Intersegment elimination							(85)	11,690
Loss before income tax							(13,576)	(6,497)
Income tax expense							-	-
Loss for the period							**(13,576)**	**(6,497)**

Notes to the Interim Consolidated Financial Statements(continued)

MARCH 31, 2014 (Unaudited)

2. SEGMENT INFORMATION (continued)

(b) Segment information provided to the Board of Directors (continued)

AS AT	Australia		Papua New Guinea		Canada		Consolidated	
US$'000	March 31, 2014	June 30, 2013	March 31, 2014	June 30, 2013	March 31, 2014	June 30, 2013	March 31, 2014	June 30, 2013
Segment assets and liabilities								
Segment assets	30,415	29,093	141,788	178,299	225,873	221,921	398,076	429,313
Intersegment elimination							(256,986)	(246,843)
Total assets							141,090	182,470
Segment liabilities	(226,604)	(224,835)	(167,963)	(160,115)	(34,232)	(18,136)	(428,799)	(403,086)
Intersegment elimination							392,668	380,840
Total liabilities							**(36,131)**	**(22,246)**

US$'000	THREE MONTHS ENDED March 31, 2014	THREE MONTHS ENDED March 31, 2013 (Restated)	NINE MONTHS ENDED March 31, 2014	NINE MONTHS ENDED March 31, 2013 (Restated)
3. REVENUE AND INCOME (LOSS)				
From operations				
Interest (other income)	12	14	58	341
Other income (loss)				
Gain on sale of plant and equipment	-	-	-	23
Fair value adjustment on derivative liability	(5,962)	-	(5,856)	-
Adjustmentto share based payment expense[(1)]	-	-	409	-
Total other income (loss)	(5,962)	-	(5,447)	23

(1) An adjustment has been made to share based payment expense relating to the performance rights issued on September 6, 2012 and October 12, 2012 to employees and directors. The probability that the vesting conditions of these performance rights would be met prior to the expiry date was previously judged to be 100%, however this probability has been reassessed and reduced thus creating other income in the nine months to March 31, 2014.

US$'000	March 31,2014	June 30, 2013	July 1, 2012 (Restated)
4. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION			
Opening net book amount	173,667	160,881	91,920
Exchange differences	(41,498)	(19,561)	18,353
Expenditures capitalised during the period	6,968	32,757	50,615
Written off during the period	-	(410)	(7)
Closing net book amount	**139,137**	**173,667**	**160,881**

The book value of exploration and evaluation relates wholly to the Yandera Project.

Notes to the Interim Consolidated Financial Statements(continued)

MARCH 31, 2014 (Unaudited)

On August 20, 2012, the Company entered into a land purchase agreement with Jant Limited through its wholly owned subsidiary Yandera Mining Company Limited. As per the terms of the agreement, the Company paid a purchase deposit in the amount of 1,000,000 PKG and also incurred additional legal related costs. During the quarter ended March 31,2014, the Company decided to withdraw from the agreement due to circumstances relating to non-rezoning of the land and internal restructuring. As a result of this forfeiture, the total cost incurred for the purchase was expensed in the Statement of Comprehensive Loss in the amount of $475,000 USD (1,211,962 PKG).

US$'000	March 31, 2014	June 30, 2013	July 1, 2012 (Restated)
5. LOANS AND BORROWINGS			
Current			
Borrowings(1)	-	10,668	-
Non-current			
Convertible note(2)	15,256	6,833	-

(1) On February 6, 2013, the Company entered into a loan agreement with its major shareholder, Sentient, for $10,000,000. It was an interest bearing (with a 15% interest rate and 5% facility fee) unsecured facility to provide funding for the completion of the Yandera Project feasibility study and for general working capital purposes and was repayable by December 31, 2013. On August 12, 2013 the Company issued an additional $1,000,000 principal amount of Debentures in satisfaction of the interest accrued and payable up to the end of August 2013, under the existing unsecured facility of $10,000,000 provided by Sentient in February 2013.

(2) On May 27, 2013, the Company entered into a debenture purchase agreement (the "Debenture Purchase Agreement") with Sentient, under the agreement the Company issued 15,000 9% convertible notes for $15,000,000 in three tranches with a 2% establishment fee. The notes were unsecuredand convertible into ordinary shares of the Company, at the option of the holder, or repayable at the earlier of June 30, 2016 and three years following the closing date of the third tranche. As at December 31, 2013 the full facility had been drawn to a total of $15,000,000.

On January 15, 2014, the Company completed the issuance of $27,509,621 principal amount of convertible unsecured debentures to its major shareholder, Sentient,pursuant to a Loan Conversion and Debenture Exchange Agreement (the "Agreement") dated November 29, 2013.

Pursuant to the terms of the Agreement, Sentient has: (i) converted the unsecured interest-bearing debt facility in the aggregate principal amount $10,000,000, dated February 6, 2013, as amended, due on January 15, 2014, along with interest of $387,766 thereon, into new Debentures of the Company; (ii) exchanged its aggregate principal amount of $16,300,000 outstanding debentures (the "Sentient Outstanding Debentures") issued pursuant to the debenture purchase agreement, dated as of May 27, 2013, along with interest of $821,855 thereon, for new Debentures; and (iii) provided a letter of support to the Company, confirming, among other things, that Sentient will ensure the Company has sufficient funds to maintain solvency for a period of 12 months from the date of approval, being February 14, 2014 of the Company's December 31, 2013 interim consolidated financial statements.

Each $1,000 face value Debenture is convertible, at the option of Sentient, into common shares or Chess Depositary Interests ("CDIs") of the Company at a conversion price of C$0.02 per common share or CDI. The conversion price of the Debentures will be adjusted in the event there is a reorganisation of capital or an issue of new shares at below the conversion price. The Debentures will mature on June 30, 2016 and bear interest at a rate of 9% per annum, which interest shall be satisfied through the issuance of additional Debentures.

Sentient and its related entities currently hold 21.97% of the common shares of the Company and would hold approximately 69.94% of the then issued and outstanding common shares of the Company, assuming the conversion of all the Debentures issued in connection with the transaction (including the Debentures issued to pay interest

Notes to the Interim Consolidated Financial Statements(continued)

MARCH 31, 2014 (Unaudited)

payments on the Debentures).

US$'000	March 31, 2014	June 30, 2013	July 1, 2012 (Restated)
6. DERIVATIVE FINANCIAL INSTRUMENT			
Derivative liability(1)	18,513	611	-
	18,513	**611**	**-**

(1) Under the Agreement, Sentient has the right, up until the maturity date, to convert any or all of the principal amount and/or accrued interest into shares of the Company at C$0.02 (Canadian Dollars ("C"))per share. The agreement also contains an anti-dilutive provision giving Sentient the right to adopt a lower share price if a capital raising was carried out at a lower share price in the interim. As at March 31, 2014 the fair value of the derivative liability was $18,513,000. The change in fair value for the period was recognised as other loss.

Fair value estimation

The fair value of the derivative financial instrument must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The following table analyses the classification of the Company's derivative financial instrument within the fair value hierarchy:

US$'000 As at March31, 2014	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities at fair value through profit or loss:			
Derivative liability - Debenture conversion option	-	18,513	-
	-	18,513	-

US$'000 As at June 30, 2013	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities at fair value through profit or loss:			
Derivative liability - Debenture conversion option	-	611	-
	-	611	-

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices that are observable either directly or indirectly
Level 3 - Inputs that are not based on observable market data

Notes to the Interim Consolidated Financial Statements(continued)

MARCH 31, 2014 (Unaudited)

7. CONTRIBUTED EQUITY

(a) Share capital

	Nine Months ended March31, 2014		Nine Months ended March 31, 2013	
	Number of shares	US$'000	Number of shares	US$'000 (Restated Note 1 a)
Ordinary shares fully paid	1,137,870,521	187,536	1,137,870,521	184,476
Total contributed equity	**1,137,870,521**	**187,536**	**1,137,870,521**	**184,476**

(b) Movements in ordinary share capital

	Number of shares	US$'000	Number of shares	US$'000
Balance at beginning of the period	1,137,870,521	187,729	1,003,745,113	161,669
Transactions during the period:				
– Issued on exercise of options	-	-	792,075	79
– Issued for cash at C$0.15 per share	-	-	133,333,333	19,932
Less: Transaction costs	-	(24)	-	(1,472)
Exchange differences on restatement to USD presentation currency	-	(169)	-	4,268
Balance at end of the period	**1,137,870,521**	**187,536**	**1,137,870,521**	**184,476**

9. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On April 22, 2014, the Company announced that Mr. Les Emery, President and CEO had stepped down as CEO and a director of the Company. Mr. Emery is entitled to amounts in accordance with his employment agreement. The Company also announced that Mr. Pieter Britz, a Company director since July 2013, was appointed as Marengo's new CEO.

On April 29, 2014, the Company announced that it had signed a loan agreement with its major shareholder, Sentient. Under the terms of the loan agreement, Sentient will provide Marengo a loan facility of US$3,000,000. The loan accrues interest monthly at a rate of 9% per annum, payable quarterly. The maturity date of the loan is December 31, 2014.
Subject to applicable shareholder and regulatory approvals, the principal and interest accrued on the loan may be payable by the Company through issuance of common shares or other securities convertible into common shares of Marengo. The Company expects to use the funds obtained from the loan to fund its working capital requirements and for general corporate purposes.